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# REPORT OF THE PRESIDENT OF THE COMMODITY CREDIT CORPORATION 1950

## MESSAGE

FROM

## THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

THE REPORT OF THE COMMODITY CREDIT CORPORATION FOR THE FISCAL YEAR ENDED JUNE 30, 1950, PURSUANT TO SECTION 13, PUBLIC LAW 806, EIGHTIETH CONGRESS

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## LETTER OF TRANSMITTAL

*To the Congress of the United States:*

In accordance with the provisions of section 13, Public Law 806, Eightieth Congress, approved June 29, 1948, I transmit herewith for the information of the Congress the report of the Commodity Credit Corporation for the fiscal year ended June 30, 1950.

HARRY S. TRUMAN.

THE WHITE HOUSE, *February 26, 1951.*

# Report of the President of the Commodity Credit Corporation, 1950

United States Department of Agriculture,
*Washington, D. C., October 19, 1950.*

Hon. Charles F. Brannan,
*Secretary of Agriculture.*

Dear Mr. Secretary: I present herewith the report of the Commodity Credit Corporation for the fiscal year ended June 30, 1950.

Sincerely yours,

Ralph S. Trigg,
*President, Commodity Credit Corporation.*

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## SUMMARY OF OPERATIONS, FISCAL YEAR 1950

Five major programs were carried on by the Commodity Credit Corporation in the fiscal year 1950—the price-support, supply, foreign-purchase, storage-facilities, and commodity-export programs. In terms of impact on the national economy, however, the most important program by far was the price-support program.

Although the dollar volume of price-support operations on 1949 crops was the second highest of record, the volume declined almost 22 percent from the peak established during the fiscal year 1949 on 1948 crop production. Among the factors contributing to this downward trend were a slight decrease in 1949 in the over-all volume of crop production as compared with production the previous year, a somewhat lower support price on most commodities, and a greater demand for cotton than prevailed the preceding year.

Supply-program purchases declined very sharply from the preceding year—from $1,069,000,000 in the fiscal year 1949 to $233,000,000 in the fiscal year 1950. Procurement under the foreign-purchase program also tapered off abruptly—from $121,000,000 to $31,000,000.

The decrease in activity under these programs is attributed, fundamentally, to a marked recovery of agricultural production in Western Europe, which resulted in a decreased demand for American agricultural commodities.

Good progress was made in providing storage for CCC-owned and CCC-controlled commodities. During the year, CCC's ability to store CCC-owned and CCC-controlled grain was increased from 45,000,000 bushels to 612,000,000 bushels.

Activity under the commodity export program was limited largely to the financing, on a reimbursable basis, of subsidies paid on exports of wheat and flour under the International Wheat Agreement. Authority for payment of these subsidies was included in the International Wheat Agreement Act of 1949, which was approved October 27, 1949.

## Price-Support Program

Since the 1950 fiscal year begins July 1, 1949, and ends June 30, 1950, price-support operations during the fiscal year cover parts of 1949 and 1950 calendar-year production. Price support on the 1949 crops of the basic commodities—cotton, wheat, corn, tobacco, rice, and peanuts—was, under the Agricultural Act of 1948, mandatory at 90 percent of parity to cooperators, if producers had not disapproved marketing quotas for such commodities. This act also required that the so-called Steagall commodities be supported at not less than 60 percent of the parity or comparable price therefor nor more than the level at which the commodity was supported in 1948, but further required that certain of the commodities be supported at the 90-percent level. The price of wool was required to be supported at the 1946 price-support level, and the act further provided for discretionary price support of the nonbasic non-Steagall commodities.

Price-support operations for agricultural commodities, the marketing year or season for which commenced on or after January 1, 1950, were undertaken pursuant to the Agricultural Act of 1949.

Under this act, support for the basic commodities—corn, cotton, wheat, rice, tobacco, and peanuts—is required at 90 percent of parity (when marketing quotas have not been disapproved) if acreage allotments or marketing quotas are in effect. Support at 90 percent of parity was announced for these crops, because acreage allotments had been proclaimed for corn, wheat, and rice, and marketing quotas for cotton, peanuts, and tobacco.

Support also is mandatory in 1950 for certain designated nonbasic commodities. Support of prices of wool, mohair, tung nuts, honey, and the 1950 crop of Irish potatoes is required at levels from 60 to 90 percent of parity, while support for milk and butterfat is required at a level between 75 and 90 percent of parity.

Support for other commodities is permissive at any level not in excess of 90 percent of the parity price, after consideration by the Secretary of Agriculture of several factors, including availability of funds, supply of the commodity in relation to demand, perishability of the commodity, and ability and willingness of producers to bring supplies into line with demand.

High lights of price-support operations actually carried on or available to producers during the fiscal year 1950 are as follows:

***Basic Commodities***

CORN (1949 CROP): National average support price, through loans and purchase agreements, $1.40 per bushel. Support price was based on 90 percent of the October 1, 1949, parity price.

COTTON, UPLAND (1949 CROP): National average support price, through loans, 27.23 cents per pound, gross weight, for ⅞-inch Middling and 29.43 cents per pound, gross weight, for $^{15}/_{16}$-inch Middling. Support price was based on 90 percent of the August 1, 1949, parity price.

PEANUTS (1949 CROP): Support prices for base-grade farmers' stock peanuts: Spanish and Valencias, $209 per ton east of the Mississippi River and $204 per ton west of the Mississippi; Virginias, $199 per ton; and Runners, $187 per ton. Support prices reflected 90 percent of the parity price as of August 1, 1949.

Method of support: (1) Purchases by the CCC of farmers' stock peanuts from producers; (2) purchases by the CCC of farmers' stock peanuts from shellers who paid producers the support price; (3) purchases by the CCC of No. 2 shelled peanuts and other kernels contained therein from shellers who paid producers the support price for farmers' stock peanuts; (4) loans by lending agencies or by the CCC to approved shellers who paid producers the support price for farmers' stock peanuts—the loans being guaranteed by the CCC; and (5) farm-storage loans by lending agencies or by the CCC to producers on farmers' stock peanuts.

RICE, ROUGH (1949 CROP): National average support price, through loans and purchase agreements, $3.96 per hundredweight or $1.78 per bushel. The support price was based on 90 percent of the August 1, 1949, parity price.

TOBACCO (1949 CROP): Support prices, through loans: Flue-cured, 42.5 cents per pound; burley, 40.3 cents; fire-cured, 30.2 cents; dark air-cured, 26.9 cents; Maryland, 41.8 cents; Connecticut Valley Havana seed, 42.9 cents; Connecticut Broadleaf, 40.6 cents; Northern Wisconsin, 25.7 cents; Southern Wisconsin, 19.8 cents; and Puerto Rican, 31.5 cents.

The rate for flue-cured tobacco was based on 90 percent of the July 1, 1949, parity price. Rates for all other types were based on 90 percent of the October 1, 1949, parity price, except that the rates for fire-cured and dark air-cured tobaccos were based on 75 percent and 66⅔ percent, respectively, of the burley rate.

WHEAT (1949 CROP): National average support price, through loans and purchase agreements, $1.95 per bushel. Support price was based on 90 percent of the July 1, 1949, parity price.

***Designated Nonbasic Commodities***

HONEY: National average support price through purchases from packers (including cooperative marketing associations) who entered into an agreement with the CCC and who paid not less than the support price for all eligible honey acquired. CCC pays packers 9 cents per pound for extracted honey produced in the continental United States, and purchased by packers in clean, sound containers of between 60 and 150 pounds capacity. Price paid by CCC for Grade

B honey purchased by packers in containers with a capacity greater than 150 pounds and Grade B honey except for moisture content not in excess of 20 percent: Slightly lower than 9 cents per pound. Support price reflected 60 percent of parity for 60-pound cans as of April 1, 1950.

BUTTERFAT (JULY 1–DECEMBER 31, 1949): Support prices, through purchases of butter in carlots: 59 cents per pound for U. S. Grade A delivered before September 1, and 62 cents for the same quality delivered on or after September 1. Prices for U. S. Grade B were 2 cents lower. The program was designed to assure farmers a national average butterfat price of 90 percent of parity during 1949.

BUTTERFAT AND MILK (JANUARY 1–JUNE 30, 1950): Support prices: National averages of approximately $3.07 per hundredweight for manufacturing milk of 3.95 percent butterfat (yearly average test) and 60 cents per pound for butterfat. These support prices reflected approximately 79 percent of the parity equivalent price for manufacturing milk.

*Support method:* Purchases of not less than minimum carloads of dairy products from handlers and manufacturers at prices as follows:

*Butter:* 60 cents per pound for U. S. Grade A or higher and 58 cents per pound for U. S. Grade B.

*Nonfat dry milk solids:* 12.5 cents per pound for spray process and 10.5 cents per pound for roller.

*Cheese, American or Cheddar:* 31 cents per pound, for U. S. Grade A or higher, subject to adjustment for moisture content.

*Evaporated milk:* $3.95 per case.

MOHAIR (APRIL 1–JUNE 30, 1950): Support price, through purchases at announced prices of mohair produced in the continental United States and territories, 49.1 cents per pound, which was 74.1 percent of the March 15, 1950, parity price.

POTATOES, IRISH (1949 CROP): Support prices, through purchases: Average $1.80 per 100 pounds for all potatoes which qualified as U. S. No. 2 grade, 1⅞-inch minimum diameter or better. Support price through loans approximated 75 percent of the September bulk-at-farm price for the same type of potatoes. Support prices, which varied by States and months, were based on 60 percent of the January 1, 1949, parity price.

POTATOES, IRISH (1950 CROP): National average farm-support price, through purchases, $1.01 per bushel or $1.68 per hundredweight. Support prices, which varied by States and areas, as well as seasonally, were based on 60 percent of the January 1, 1950, parity price.

TUNG NUTS (1949 CROP): Support price, through purchase agreements, $60 per ton, or the equivalent in tung oil of 24.1 cents a pound, f. o. b. at shipping point.

WOOL (JULY 1, 1949, THROUGH MARCH 31, 1950): Support price, through purchases, 42.3 cents per pound for shorn wool, grease basis—designed to furnish wool growers an average return equal to the return for 1946.

WOOL (APRIL 1–JUNE 30, 1950): National average support price for shorn wool, through purchases, 45.2 cents per pound, which was based on 90 percent of the March 15, 1950, parity price.

### *Other commodities*

BARLEY (1949 CROP): Support price, through loans and purchase agreements, $1.09 per bushel, based on 72 percent of the parity price as of April 15, 1949.

BEANS, DRY EDIBLE (1949 CROP): Support prices, through loans and purchase agreements, $6.40 to $8.85 per 100 pounds, depending on class, variety, or location—based on 80 percent of the September 1, 1949, parity price.

CHICKENS (JULY 1–DECEMBER 31, 1949): Support was mandatory, if necessary, under the Agricultural Act of 1948. Prices remained above support level during the period, however, and support operations were unnecessary.

COTTON, AMERICAN EGYPTIAN (1949 CROP): Support price, through loans, averaged 56.01 cents per pound, based on 90 percent of the parity price as of August 1, 1949.

COTTONSEED (1949 CROP): Support price, through loans at $49.50 and purchases at $46.50 per ton, based on 90 percent of the parity price as of August 1, 1949.

EGGS (JULY 1–DECEMBER 31, 1949): The objective was to support prices at a level which would provide producers a national annual average price for all eggs sold of 90 percent of parity for the calendar year 1949. Dried eggs were purchased from processors who paid an average of 35 cents per dozen for shell eggs bought.

EGGS (JANUARY 1–JUNE 30, 1950): The program sought to support the average price received by all producers in all sections of the country for all eggs sold during 1950 at 37 cents per dozen, which was about 75 percent of the January 1, 1950, parity price. Support was given through the purchase of dried eggs from processors who were required to pay producers, primarily in the Middle West, the average prices specified by the CCC for shell eggs used in the manufacture of dried eggs. These prices were 25 cents per dozen at the farm and 27 cents per dozen at the processing plant.

FLAXSEED (1949 CROP): Support price, through loans, purchase agreements, and purchases only from producers in 32 Texas counties, $3.99 per bushel, Minneapolis basis, which was based on 90 percent of the April 1, 1949, parity price.

GRAIN SORGHUMS (1949 CROP): Support price, through loans and purchase agreements, $2.09 per 100 pounds, based on 70 percent of the parity price as of April 15, 1949.

GUM NAVAL STORES (1949 CROP): Support price, through loans, was $114.08 per production unit of 50 gallons of turpentine and 1,400 pounds of rosin. The support price, based on 80 percent of the March 1, 1949, parity price of the production unit, was allocated to turpentine and rosin at rates of 40 cents per gallon, bulk, for turpentine and $6.72 per 100 pounds for N Grade rosin.

GUM NAVAL STORES (1950 CROP): Support price, through loans, was $86.82 per production unit of 50 gallons of turpentine and 1,400 pounds of rosin. The support price, based on 60 percent of the April 1,1950, parity price of the production unit, was allocated to turpentine and rosin at rates of 40 cents per gallon, bulk, on turpentine and $4.77 per 100 pounds on rosin.

Hogs (July 1, 1949–March 31, 1950): From July 1 to September 1, 1949, hog support prices were announced for individual markets on a weekly basis. In September, a change was made in the program and support operations were planned to maintain United States average farm price of hogs at monthly support levels rather than to maintain prices at weekly support levels for barrows and gilts at individual markets. Monthly national average support prices were as follows: September, $17.70; October, $16.40; November, $15.00; December, $14.20; January, $14.90; February, $15.50; and March, $16.20. Method of support: Through purchases of pork products from slaughterers operating under Federal inspection. No actual support operations were undertaken.

Oats (1949 crop): Support price, through loans and purchase agreements, 69 cents per bushel, based on 70 percent of the parity price as of April 15, 1949.

Peas, dry edible (1949 crop): Support price, through loans and purchase agreements: $3.12 per 100 pounds for Alaska, Bluebell, Scotch Green, First and Best, Marrowfat, and White Canada varieties, and $2.87 for Colorado White peas. These prices were based on U. S. No. 1 grade or better after normal cleaning. Peas of U. S. No. 2 grade or better were supported at 25 cents less per 100 pounds. All prices were based on 60 percent of the comparable parity price as of July 1, 1949.

Rye (1949 crop): Support price, through loans and purchase agreements, $1.27 per bushel, based on 72 percent of the parity price as of April 15, 1949.

Seed, hay and pasture grass (1949 crop): Support prices, through purchase agreements (in the case of lespedeza, through purchase agreements and loans):

*Alfalfa:* Northern, 32 cents per pound; Central, 25 cents; and Southern, 18 cents per pound.

*Lespedeza:* Common or Tennessee 76, 16 cents per pound; Sericea, 15 cents per pound; and Kobe, 12 cents per pound.

*Clovers:* Alsike, 25 cents per pound; Ladino (certified seed only), $1.25; red, 35 cents; Hubam sweet, 8 cents; and white (Southern States), 45 cents. *Grasses (rates on basis of certified seed only except in case of wheat grasses):* Tall meadow fescue, 35 cents per pound; smooth brome, 16 cents; orchard, 15 cents; timothy, 6 cents; Sudan, 5 cents; and wheat grasses, 10 cents. *Range grasses:* Blue grama, 15 cents per pound; big bluestem, little bluestem, side-oats grama, and switch grass, 20 cents per pound; sand bluestem and yellow Indiangrass, 25 cents; buffalo grass, 35 cents; weeping lovegrass and sand lovegrass, 50 cents per pound. Above prices were established at rates not exceeding 90 percent of the parity price as of July 1, 1949.

Seed, winter cover crop (1949 crop): Basic support prices, through purchase agreements: Hairy vetch, 14 cents per pound; common vetch, 6½ cents; Willamette vetch, 6½ cents; crimson clover, 14 cents; blue lupine, 4½ cents; common ryegrass, 6 cents; Austrian winter peas, 4½ cents; and rough peas, 5½ cents.

Soybeans (1949 crop): Support prices, through loans and purchase agreements, $2.11 per bushel for green and yellow soybeans grading U. S. No. 2 or better and $1.91 per bushel for brown, black, and mixed soybeans, based on 90 percent of the comparable price as of September 1, 1949.

SWEETPOTATOES (1949 CROP): Support price, through purchases, varied by periods and varieties from $1 to $2 per bushel. Support prices averaged 80 percent of the July 1, 1949, parity price.

TURKEYS (1949 PRODUCTION): Turkey prices during 1949 were supported through purchases of frozen dressed turkeys at announced prices intended to reflect a national live-weight average price to producers of about 31 cents per pound, which was about 90 percent of the parity price for the marketing season.

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A total of $3,538,124,967 was invested in CCC price-support loans and inventories as of June 30, 1950, the end of the fiscal year. Of this total, $914,189,564 represented loans; and inventories acquired under loan, purchase agreement, and direct-purchase operations amounted to $2,623,935,403.

The loan total was made up of $471,741,345 held by the CCC, $438,443,793 by lending agencies, and $4,004,426 of loans approved but not fully processed.

Price-support operations in four commodities accounted for the bulk of the loan total. These commodities, the quantities of collateral pledged, and the loans outstanding were as follows:

| Commodity: | *Quantity* | *Loans outstanding* |
|---|---|---|
| Corn | 413,617,991 bushels | $558, 125, 192 |
| Tobacco | 311,133,828 pounds | 125, 522, 453 |
| Cotton | 833,218 bales | 121, 037, 810 |
| Wheat | 33,541,304 bushels | 65, 115, 226 |
| Other [1] | | 44, 388, 883 |
| Total | | 914, 189, 564 |

[1] Included under "other" were loans on flaxseed, peanuts, soybeans, lespedeza seed, potatoes, barley, dry edible beans and peas, grain sorghums, oats, rice, rye, American Egyptian cotton, and cottonseed. In this group, the largest amount of loans on any one commodity was $9,150,135 on barley.

Table 1 shows major items in the inventory of the CCC as of June 30, 1950, the quantities involved, and the cost.

TABLE 1.—*Quantities and cost of major items in the CCC inventory, June 30, 1950*

| Item | Quantity | Cost |
|---|---|---|
| | | *Dollars* |
| Wheat ..... bushels | 327, 654, 159 | 760, 444, 401 |
| Cotton ..... bales | 3, 413, 635 | 580, 236, 924 |
| Corn ..... bushels | 332, 459, 548 | 505, 864, 068 |
| Linseed oil ..... pounds | 471, 667, 163 | 134, 845, 843 |
| Grain sorghum ..... hundredweight | 41, 274, 224 | 104, 699, 277 |
| Dried eggs ..... pounds | 93, 918, 525 | 103, 290, 366 |
| Butter ..... do | 161, 649, 213 | 99, 452, 285 |
| Dry edible beans ..... hundredweight | 9, 687, 102 | 79, 689, 881 |
| Flaxseed ..... bushels | 13, 373, 583 | 69, 766, 981 |
| Barley ..... do | 31, 497, 215 | 46, 434, 104 |
| Dried milk ..... pounds | 362, 931, 819 | 45, 718, 460 |
| Rosin ..... do | 384, 685, 817 | 29, 119, 720 |
| Other | | 64, 373, 093 |
| Total | | 2, 623, 935, 403 |

"Other" items in the inventory included American Egyptian cotton, wool, cottonseed, cotton linters, cottonseed oil, cottonseed meal, cheese, peanuts, soybeans, potato starch, dry edible peas, oats, rice, rye, hay and pasture seeds, winter cover crop seeds, tobacco, and turpentine. Cheese was the largest item with a cost value of $19,706,624.

In carrying on price-support operations during the fiscal year 1950, the CCC incurred a net realized program loss of $249,229,839. Major loss items were as follows: Irish potatoes, $75,081,036; dried eggs, $41,617,723; peanuts, $40,592,601; wheat, $28,384,123; corn, $17,189,119; dried milk, $14,619,145; wool, $10,755,942; and grain sorghums, $10,514,934.

As of June 30, 1950, the CCC had established valuation reserves of $699,670,000 against possible losses that might be incurred in the disposal of price-support commodities already in inventory or to be acquired under loan and purchase operations. Of this total, $332,794,350 represented adjustments to valuation reserves in the fiscal year 1950, and $366,875,650 represented reserves established in prior fiscal years.

Net realized program losses for the fiscal year 1949 were $254,761,994; for the fiscal year 1948, $125,357,006; and for the fiscal year 1947, $71,894,836. During the period July 1, 1941–June 30, 1946, the CCC had a net program gain of $125,592,975. Operations during the period October 17, 1933–June 30, 1941, resulted in a loss of $60,389,701. Net realized program losses for the entire "life" of the CCC—for the period October 17, 1933–June 30, 1950—totaled $636,040,401.

Under authority granted by the Commodity Credit Corporation Charter Act, as amended, the CCC in the fiscal year 1950 bartered cotton for a strategic material.

### Supply Program

Procurement of agricultural commodities by the CCC under its supply program tapered off sharply during the fiscal year 1950, reflecting largely the marked recovery of agricultural production in Western Europe with a resultant decreased demand for American agricultural commodities. (Under the supply program, the CCC procures agricultural commodities to meet domestic requirements and those of United States Government agencies, foreign governments, and relief and rehabilitation agencies.)

Purchases for the supply program totaled only $233,266,440 in the fiscal year 1950, as compared with purchases of $1,068,923,753 in the fiscal year 1949. Major items procured included wheat, $127,363,866; lard and other animal fats, $22,546,233; sugar, $19,934,116; flour and related products, $16,234,306; soybean oil, $15,224,307; and soybeans, $10,833,091.

The CCC made a net realized program gain of $2,886,615 under its supply program in the fiscal year 1950, as compared with a gain of $5,232,858 in the fiscal year 1949.

### Foreign-Purchase Program

Under its authority to "procure agricultural commodities for sale to other Government agencies, foreign governments, and domestic, foreign, or international relief or rehabilitation agencies, and to meet domestic requirements," the CCC purchased abroad during the fiscal year 1950 commodities having a cost of $30,792,059. The sharp drop in purchases from the previous year, when purchases abroad cost $120,625,621, is attributed, as in the case of the supply program, to the recovery of agriculture in western Europe and a decline in demand for agricultural commodities produced in other countries.

Major purchases during the year included sugar, $28,937,017; and frozen Mexican beef, $1,063,975. The CCC made a net realized program gain of $49,005 on its foreign-purchase program in the fiscal year 1950.

### Storage-Expansion Program

The CCC first acquired grain-storage facilities in 1939 as a means of properly caring for grain delivered in settlement of loans made to producers. As the total carry-over of grain decreased during the war years, the need for these structures decreased, and the CCC sold storage bins, many of which were purchased by producers for use in storing commodities on the farms. The large increase in agricultural production during the war years was not accompanied by comparable increases in commercial storage. Moreover, the Federal charter initially granted to the CCC placed restrictions on the CCC's authority which prevented it from expanding its storage facilities. As a result, adequate storage for increased stocks was not available when record 1948 crops were harvested. In many instances 1948-crop commodities were sold by producers at less than support levels because of the inability of producers to meet the CCC's storage requirements for obtaining loans.

Public Law No. 85, Eighty-first Congress, approved June 7, 1949, removed, with certain exceptions, the restriction on acquiring additional storage facilities and, in order to encourage the storage of grain on farms, also authorized and directed CCC to make storage-facility loans to grain farmers. Accordingly, the CCC developed the storage-expansion program.

Under its storage-facilities program, the CCC (1) purchases and maintains granaries and equipment for care and storage of CCC-owned or -controlled grain; (2) makes loans or guarantees loans for the construction, expansion, or equipment by producers of farm storage facilities; (3) guarantees the occupancy of new commercial storage in order to encourage the construction or expansion of commercial storage facilities; and (4) undertakes such other operations as may be necessary to provide storage adequate to carry out effectively the CCC's programs.

As required by statute, the CCC conducts its storage operations subject to the following restrictions: (1) No interest is acquired in real property for storage purposes unless it is determined by the Corporation that existing privately owned storage facilities for the storage of the commodity in the area concerned are not adequate; and (2) to the maximum extent practicable, consistent with the fulfillment of the CCC's purposes and the effective and efficient conduct of its business, the CCC utilizes the usual and customary channels, facilities, and arrangements of trade and commerce in the warehousing of its commodities.

The following is a brief review of operations carried on under the storage-facilities program during the fiscal year 1950:

At the beginning of the fiscal year, the CCC owned bins having a capacity of about 45,000,000 bushels. These structures were purchased prior to 1941.

During the year, the CCC purchased additional bins having a capacity of about 409,000,000 bushels, the purchases being made under authority of the Commodity Credit Corporation Charter Act, as amended. Most of the new structures purchased were allocated to States in the Corn Belt.

About 82,000,000 bushels of storage space had been assured at the end of the year under the CCC's storage-use guaranty program. Under this program, the CCC encourages the construction or expansion of commercial warehouse facilities for grain storage, in areas where existing facilities are inadequate, by entering into agreements with cooperative associations and other commercial warehouse agencies under which CCC guarantees the occupancy of 75 percent of new storage capacity. The term of such guarantee agreements is 3 years in connection with completely new storage structures, and 2 years in the case of new additions or annexes to existing storage facilities. The Bank for Cooperatives (of the Farm Credit Administration) is authorized under the Agricultural Act of 1949 to finance up to 80 percent of the cost of new storage facilities built by cooperatives which have received storage guaranties from the CCC.

At the end of the year, the CCC had made or guaranteed loans—or had approved commitments to make or guarantee loans—for the construction by producers of farm-storage facilities having an aggregate capacity of approximately 55,000,000 bushels. These loans were made under authority of the Commodity Credit Corporation Charter Act, as amended.

The CCC also used Maritime Commission ships anchored in the Hudson River at Jones Point, N. Y., to provide an additional 12,000,000 bushels of storage space.

Storage space was also acquired by the CCC, through leases or "right of entry" agreements, in idle buildings made available by the Army, Navy, Air Force, and other Government agencies. At the end of the fiscal year, the CCC had the right to the use of space, acquired from such agencies, having a total capacity of more than 9,000,000 bushels.

Slightly more than 30,000 tons of commodities were handled through the Natural Cooler Facility, located near Atchison, Kans. In addition to regular storage operations, experiments in the storage of various commodities were continued, with wheat and corn being added to the list of commodities on which tests are being conducted.

The CCC, on October 8, 1949, terminated its lease on the Municipal Terminal Market at Bronx, N. Y. During World War II and for some time after the war, the Government needed the assurance that refrigerated warehouse space would be available for perishable commodities in the New York City area. In 1949, however, cold-storage space in commercial facilities in the area became adequate for Government needs and termination of the lease, with the City of New York, followed.

### International Wheat Agreement

The International Wheat Agreement Act of 1949 authorized the President of the United States, "acting through the Commodity Credit Corporation, to make available or cause to be made available . . . such quantities of wheat and wheat-flour and at such prices as are necessary to exercise the rights, obtain the benefits, and fulfill the obligations of the United States under the International Wheat Agreement of 1949 signed by Australia, Canada, France, the United States, and Uruguay, and certain wheat-importing countries. . . ." The act also authorized the appropriation of such sums as may be necessary to make payments to the Commodity Credit Corporation of its estimated or actual net costs of carrying out its functions thereunder. The Commodity Credit Corporation in carrying out its functions is authorized "to utilize, in advance of such appropriations or payments, any assets available to it." In carrying out such functions, CCC made export payments on sales by exporters and sold, at International Wheat Agreement prices, wheat and wheat flour acquired by CCC under its price-support and supply programs.

Sales of wheat, and wheat flour in terms of wheat equivalent, under the International Wheat Agreement totaled about 155,000,000 bushels during the period August 1, 1949–June 30, 1950, of which 135,000,000 bushels were sold at a cost to CCC of $75,636,723. (Prior to the enactment of the International Wheat Agreement Act, payments to exporters were charged to funds available under section 32, Public Law No. 320, 74th Cong., and only the difference between the International Wheat Agreement price and the market price on CCC sales was charged to CCC.) The calculated average cost borne by CCC was 55.8 cents per bushel. This is the average amount the CCC paid to exporters to compensate them for the difference between the United States domestic price of wheat and the maximum price under the Agreement. All sales were made at maximum prices under the Agreement, including an allowance for quality factors in the case of classes of wheat other than the basic class.

The United States made sales under the Agreement to Austria, Belgium, Bolivia, Brazil, Costa Rica, Cuba, Denmark, Dominican Republic, Ecuador, El Salvador, Western Germany, Greece, Guatemala, Haiti, Ireland, Israel, Italy, Lebanon, Mexico, Netherlands, Nicaragua, Norway, Panama, Peru, Philippines, Portugal, Saudi Arabia, United Kingdom, and Venezuela.

### Donation Operations

Several commodities were disposed of during the year through donation, as authorized by section 416 of the Agricultural Act of 1949, which reads as follows: "In order to prevent the waste of food commodities acquired through price-support operations which are found to be in danger of loss through deterioration or spoilage before they can be disposed of in normal domestic channels without impairment of the price-support program, the Secretary of Agriculture and the Commodity Credit Corporation are authorized, upon application by the Munitions Board or any other Federal agency and on such terms and under such regulations as may be deemed in the public interest, to make such commodities available to any such agency for use in making payment for commodities not produced in the United States. Any such commodities which are not disposed of pursuant to the foregoing sentence may be made available by the Secretary and the Commodity Credit Corporation at the point of storage at no cost, save handling and transportation costs incurred in making delivery from the point of storage, as follows in the order of priority set forth: First, to school lunch programs, and to the Bureau of Indian Affairs and Federal, State, and local public welfare organizations for the assistance of needy Indians and other needy persons; second, to private welfare organizations for the assistance of needy persons within the United States; third, to private welfare organizations for the assistance of needy persons outside the United States."

Public Law No. 471, Eighty-first Congress, second session, amended this provision to permit the payment of transportation and handling costs on 1949-crop potatoes distributed domestically; but the legislation limited such payments for potatoes for disposition to private or international nonprofit welfare or international relief organizations for the assistance of needy persons outside the United States to transportation and handling charges to the nearest port.

Accounting records of the CCC show that, during the fiscal year 1950, the following donations were made under authority of section 416 and Public Law No. 471, Eighty-first Congress, second session: Butter, 6,759,842 pounds, costing $4,279,608; cheese, 3,217,283 pounds, costing $1,017,219; nonfat dry milk solids, 24,994,549 pounds (of which 20,601,693 pounds moved into foreign relief channels), costing $3,278,976; potatoes, 1,285,887 hundredweight (629,790 hundredweight being donated under section 416 as amended by Public Law No. 471), costing $2,843,008; and dried eggs, 6,066,615 pounds (of which 3,914,373 moved into foreign relief channels), costing $7,970,933—or a total cost of $19,389,744 to the Corporation.

### Financial Results

During the year there was an excess of $48,030,688 of interest and general overhead expense over loan and miscellaneous income. Net realized program losses—resulting from purchase, sale, and related activities—totaled $246,583,888. In addition, a net increase of $333,106,783 was recorded in reserves for estimated losses on loans, inventories, commodities under contract to purchase, and receivables. The net loss transferred to surplus was $627,721,359.

The deficit of the CCC as of June 30, 1950, was $798,236,490. This was made up of $170,515,131 which had been recorded through June 30, 1949, and $627,721,359, representing losses sustained during the year (see above). The capital impairment of the CCC at June 30, 1949, as determined by the Secretary of the Treasury, pursuant to the provisions of the Act of March 8, 1938, as amended, was $66,698,457. The latter amount will be restored to the CCC by the General Appropriation Act of 1951.

Public Law No. 579, Eighty-first Congress, which was approved in June 1950, authorized the CCC to have total borrowings outstanding and obligations to purchase loans held by lending agencies at any one time of $6,750,000,000. (Prior to passage of this legislation, the CCC's borrowing authority was $4,750,000,000.) As of June 30, 1950, the CCC had in use $3,636,514,698 of its statutory borrowing authority, that is, actual borrowings totaled $3,193,201,303, while obligations to purchase commodity and storage loans held by lending agencies amounted to $443,313,395. In addition, other current operating obligations of the CCC amounted to $344,501,377. These current operating obligations included accounts payable and accrued liabilities totaling $244,231,792, purchase agreements amounting to $90,588,000, and other commitments of $9,681,585.

The CCC has a paid-in capital of $100,000,000 and it receives advances from purchasers of commodities under the supply and foreign-purchase program. These funds, of course, reduce the amount of borrowings necessary for the CCC to carry on its operations.

## FINANCIAL CONDITION, AS OF JUNE 30, 1950

ASSETS

| | | |
|---|---|---|
| 1. Cash | | $26, 782, 392. 40 |
| 2. Loans: | | |
| Commodity loans held by Commodity Credit Corporation | $471, 741, 344. 38 | |
| Commodity loans held by lending agencies (see Item 10) | 438, 443, 793. 23 | |
| | 910, 185, 137. 61 | |
| Less: Reserve for losses | 82, 343, 000. 00 | |
| Commodity loans (net) | | 827, 842, 137. 61 |
| Storage facility and equipment loans held by Commodity Credit Corporation | 7, 662, 083. 69 | |
| Storage facility loans held by lending agencies (see item 11) | 4, 869, 602. 28 | 12, 531, 685. 97 |
| Loan to Secretary of Agriculture | | 15, 000, 000. 00 |
| 3. Commodity inventories (cost) | 2, 643, 153, 372. 70 | |
| Less: Reserve for losses | 582, 871, 000. 00 | 2, 060, 282, 372. 70 |
| 4. Commodities under contract to purchase | 56, 314, 234. 00 | |
| Less: Reserve for losses | 34, 456, 000. 00 | 21, 858, 234. 00 |
| 5. Accounts and notes receivable | 192, 524, 719. 58 | |
| Less: Reserve for losses | 6, 120, 030. 36 | 186, 404, 689. 22 |
| 6. Accrued assets | | 1, 125, 349. 14 |
| 7. Fixed assets (net) | | 91, 688, 963. 86 |
| 8. Other assets | | 1, 335, 119. 10 |
| Total assets | | 3, 244, 850, 944. 00 |

LIABILITIES

| | | |
|---|---|---|
| 9. Borrowings: | | |
| From United States Treasury | 3, 193, 000, 000. 00 | |
| From banks | 201, 302. 79 | 3, 193, 201, 302. 79 |
| 10. Obligation to purchase commodity loans held by lending agencies | | 438, 443, 793. 23 |
| 11. Obligation for guaranty of storage-facility loans held by lending agencies | | 4, 869, 602. 28 |
| 12. Trust and deposit liabilities | | 49, 307, 549. 27 |
| 13. Accounts payable | | 131, 225, 737. 57 |
| 14. Accrued liabilities | | 113, 006, 054. 90 |
| 15. Deferred income | | 3, 980, 059. 92 |
| 16. Other liabilities | | 9, 053, 334. 37 |
| 17. Capital stock held by U. S. Government | | 100, 000, 000. 00 |
| 18. Surplus (or deficit*) | | *798, 236, 490. 33 |
| Total liabilities | | 3, 244, 850, 944. 00 |

*Deficit.

## Notes on Financial Statements

### LOANS RECEIVABLE

Loans receivable, as reflected in the statement of financial condition, represent loans held by the Commodity Credit Corporation or lending agencies as recorded in the accounts of the Corporation. Additional commodity loans approved but not yet processed through the accounts of the Corporation are maintained in memorandum form. Approved commitments to make or guarantee loans on storage facilities, with an aggregate capacity of 7,915,906 bushels, amounted to $2,238,470 as of June 30, 1950. Also, commitments to make or guarantee three equipment loans amounted to $2,813. These commitments are not reflected in the accounts.

### CLAIMS

Amounts due the Corporation from claims that are definitely known or can reasonably be established are recorded currently in the accounts of the Corporation as accounts receivable. A reserve for losses is provided to cover amounts where collection is doubtful, as well as estimated reductions or adjustments in the liquidation of such claims. Amounts of claims of doubtful character and those on which adequate proof has not been established are not recorded as accounts receivable but are recorded for control purposes. It is estimated that such claims amounted to $4,491,929 as of June 30, 1950.

Claims against the Corporation where the amounts are definitely known or can reasonably be established are recorded as accounts payable. Amounts of claims which are not considered valid by the Corporation are not reflected as accounts payable. Claims in this category were estimated at $2,416,774 as of June 30, 1950, of which $871,332 were under suit.

### COMMODITY INVENTORIES

Inventories are recorded at cost, which includes storage, handling, transportation, and accessorial expenses. Because of the varied character of the many commodities (for example, bulk grains and processed foods) included in the inventory and the related trade practices in storing and handling, cost is determined by the "first-in, first-out" method for some commodities and by the "average cost" or "individual lot cost" method for other commodities. In each case a consistent practice is followed from period to period. Inventory transactions are recorded on the basis of transfer of title. Firm contracts to purchase are reflected in the accounts for only those commodities on which it is estimated losses will be sustained upon disposition of the inventory to be acquired. Sales commitments are not reflected in the accounts but are considered in the establishment of valuation reserves. Outstanding purchase agreements with producers under which commodities may be delivered under price-support programs are not recorded in the accounts. Such purchase agreements outstanding on June 30, 1950, were as follows:

| Commodity: | *Quantity* | *Estimated value at average support price* | *Maturity date* |
|---|---|---|---|
| 1949 corn | 57,706,713 bushels | $77, 826, 000 | July 1950. |
| 1949 tung oil | 11,462,509 pounds | 2, 762, 000 | September 1950. |
| | | 80, 588, 000 | |

It is estimated that purchases of the 1949-crop commodities under purchase agreements which matured prior to June 30, 1950, may aggregate $10,000,000 subsequent to June 30, 1950.

### International Wheat Agreement Act of 1949

In addition to the amounts paid and accrued under the International Wheat Agreement, declarations of sales for which exporters of wheat and wheat flour have not submitted requests for export payments totaled $3,435,876 as of June 30, 1950. The amount of these approved declarations represents a contingent liability of the Corporation to make such export payments upon fulfillment of all requirements. When payments are made on these declarations, an account receivable for such amounts will be established under the accounts and notes receivable classification "Due Under International Wheat Agreement Act of 1949."

### Storage Guaranty Agreements

In areas where storage facilities are inadequate, the Corporation has entered into storage agreements with certain cooperative associations and other commercial warehousemen guaranteeing use of 75 percent of the usable space of new storage capacity for a period of 3 years in completely new storage structures, and for a period of 2 years in new annexes or additions to existing storage structures. Active agreements are outstanding on an approximate 82,000,000-bushel capacity.

### Surplus

Surplus, as reflected on the statement of financial condition, represents the results of operations of the Corporation since its inception in 1933 (*a*) after the restoration (net) of capital by the United States Treasury in accordance with the act of March 8, 1938, as amended, (*b*) after net price-support losses in the amount of $500,000,000 have been charged to the reserve for postwar price support of agriculture, and (*c*) after the recovery of certain specified losses from the Secretary of the Treasury under Public Laws No. 389 and No. 393, Eightieth Congress. The deficit as of June 30, 1949, and June 30, 1950, as determined by appraisal in accordance with the act of March 1938, as amended, will be recovered from the United States Treasury.

## Description of Items in Statement of Financial Condition

### Assets

1. Cash:

The cash funds of the Corporation represent funds used in current operations. All cash is on deposit with the Treasurer of the United States in various accounts, with the exception of receipts on hand and collections-in-transit items forwarded by field offices to the Federal Reserve banks but not as yet credited to the account with the Treasurer of the United States.

2. Loans:

Most of the loans made by the Corporation for price-support purposes are nonrecourse loans to farmers and to cooperative marketing associations, and are secured by the pledge of agricultural commodities. Loans to potato producers and to peanut shellers are recourse loans. Some loans are made direct by the Corporation, but most loans are made through lending agencies, generally commercial banks in farm areas. The loans bear interest at 3 percent per year. The Corporation stands ready to purchase at any time any of its commodity loans held by private lending agencies, if the loan papers are in proper order. (See Liability Item 10, "Obligation to purchase commodity loans held by lending agencies".)

Loans secured by chattel or real estate mortgages on newly constructed farm-storage facilities are made by approved lending agencies or direct by the Corporation. These loans bear interest at 4 percent and may be paid in five annual installments. The Corporation guarantees the loans made by lending agencies and is obligated to purchase such loans in default more than 12 months. (See Liability Item 11, "Obligation for guaranty of storage-facility loans held by lending agencies.")

Loans are reflected in the accounts of the Corporation as the unpaid balance, but reserves are provided, when required, to reflect the amount of estimated losses upon disposition of the balances due to collateral acquired.

Section 391 (c) of the Agricultural Adjustment Act of 1938, as amended, requires the Corporation to loan to the Secretary of Agriculture such sums as the Secretary estimates will be required to make advances pursuant to the applicable provisions of sections 8 and 12 of the Soil Conservation and Domestic Allotment Act, as amended. These loans are used to purchase conservation material during the period January 1 to June 30 of each year. The loan is repaid with interest from funds appropriated for the activity.

3. Commodity inventories:

Commodity inventories were acquired generally for (1) price-support and (2) supply-program purposes. The book value of inventories, with certain exceptions, represents the Corporation's cash investment plus the accrued carrying charges on the inventories held. In its purchase operations the Corporation acquires full title to the commodities procured. Upon the nonpayment of loans the Corporation in some instances acquires full title to the pledged commodities forfeited and in other instances pools the loan collateral acquired for the account of producers. Under the pooling arrangement, producers have an interest in any net proceeds from the sales of the commodities pooled. Inventory valuation reserves are established to reduce inventories to the estimated realizable value based on all known factors, including contemplated ultimate disposition.

4. Commodities under contract to purchase:

Firm contracts to purchase are reflected for those commodities on which it is estimated losses will be sustained upon disposition of the inventory to be acquired. Valuation reserves are established to reflect this estimated loss.

5. Accounts and notes receivable:

A major part of receivables is represented by amounts due from Government agencies (Economic Cooperation Administration, Department of the Army) and other appropriated funds. However, receivables from a wide variety of other debtors, including suppliers, warehousemen, processors, and railroads, as well as from producers whose loan collateral was found deficient, are included in this classification. Also included is the cost in connection with the International Wheat Agreement Act of 1949. A reserve is provided for estimated losses on accounts and notes receivable.

6. Accrued assets:

This item includes the accrued interest due from borrowers, which the Corporation purchases from lending agencies when it acquires commodity loans from them. Interest is computed at 1½ percent from the date the lending agency made the loan until the date the loan is acquired by the Commodity Credit Corporation. Upon the repayment of such purchased loans, the collection from borrowers is applied to the interest purchased. Interest is accrued on recourse loans to peanut shellers and potato producers, on storage-facility and equipment loans held by the Corporation, and on certain notes and accounts receivable.

7. Fixed assets:

The major fixed assets are grain bins and related equipment and the investment of the Corporation in the Natural Cooler Storage Facility at Atchison, Kans. The initial investment in the Natural Cooler Storage Facility was completely amortized by March 31, 1947. Subsequent acquisitions of equipment are fully reserved. Steel and wooden grain bins and equipment, acquired in prior years, have been substantially depreciated; storage facilities and equipment, purchased in the fiscal year 1950 under the current storage program, will be depreciated over a 20-, 10-, or 5-year period depending on the type of asset purchased. A tobacco-storage property purchased at the value of the land is carried at cost.

8. Other assets:

Included in this group are various undistributed charges, temporary in nature, which await proper identification before transfer to other accounts.

LIABILITIES

9. Borrowings:

Borrowings from the United States Treasury for current financing on a day-to-day basis are evidenced by interest-bearing notes in multiples of one million dollars. Funds borrowed from lending agencies represent money borrowed from commercial banks acting as agents and custodians for the Corporation in the wool and peanut purchase programs. These borrowings represent demand obligations guaranteed by the United States, and may be repaid by the Corporation at any time.

10. Obligation to purchase commodity loans held by lending agencies:

This liability represents the obligation of the Corporation to purchase upon presentation the commodity loans held by lending agencies, and is the offset to the asset "Commodity loans held by lending agencies." Cotton loans made by lending agencies, for which cotton certificates of interest evidence the liability of the Corporation to purchase the loans, are included in "Commodity loans held by lending agencies," and the outstanding certificates are included in this classification. The liability is shown at the unpaid balance of the loans.

11. Obligation for guaranty of storage facility loans held by lending agencies:

This item represents the principal amount of the storage-facility loans guaranteed by the Corporation.

12. Trust and deposit liabilities:

The principal items in this group are the advances of funds by the Department of the Army, international welfare and relief organizations, and cash-paying foreign governments in anticipation of the invoicing for deliveries of commodities.

13. Accounts payable:

Accounts payable consist principally of amounts due vendors for commodities purchased, drafts payable to producers under the price-support program, and interim collections in process of distribution to holders of cotton certificates of interest.

14. Accrued liabilities:

This group includes storage and other carrying charges accrued on commodity inventories. Obligations under certain contracts to purchase commodities are accrued for financial-statement purposes. Also included in this classification is an accrual of administrative expense. Interest is accrued on borrowings from the United States Treasury and on the capital stock of the Corporation; however, as of June 30 this obligation has been paid. Interest is accrued on cotton certificates of interest to be repaid in the subsequent month.

15. Deferred income:

Recovery of administrative expenses incurred in the operation of the supply program activities is accomplished by means of a markup included in invoices rendered. This item represents the balance of the markup available for reimbursement of supply program administrative expense.

16. Other liabilities:

This item consists largely of unapplied receipts which are initially recorded in this account and are removed as proper disposition is effected. Also included are deferred credits in connection with the cotton program.

17. Capital stock held by United States Government:

All capital stock of the Corporation, in the amount of $100,000,000, is held on behalf of the United States.

18. Surplus:

Surplus as reflected on the statement of financial condition represents the results of the operations of the Corporation since its inception in 1933 (*a*) after the restoration (net) of capital by the United States Treasury in accordance with the act of March 8, 1938, as amended, (*b*) after the net price-support losses in the amount of $500,000,000 have been charged to the reserve for the postwar price support of agriculture, and (*c*) after the recovery of certain specified losses from the Secretary of the Treasury under Public Laws Nos. 389 and 393, Eightieth Congress.

## INCOME AND EXPENSE, FISCAL YEAR 1950

| | | |
|---|---|---|
| I. Income and expense—general: | | |
| 1. Income: | | |
| (a) Interest on loans | $7,442,968.63 | |
| (b) Other interest income | 592,492.39 | |
| (c) Administrative mark-up not applied to general overhead expense | *2,000,000.00 | |
| (d) Other income | 123,178.07 | |
| (e) Total income | | $6,158,639.09 |
| 2. Expense: | | |
| (a) Interest expense | *$32,679,848.89 | |
| (b) General overhead expense (net) | *21,488,430.08 | |
| (c) Other expense | *21,048.56 | |
| (d) Total expense | | *54,189,327.53 |
| Net income (or expense*)—general | | *48,030,688.44 |
| II. Realized gains and losses—program: | | |
| 1. Commodity inventory operations: | | |
| (a) Sales of commodities | $1,237,016,758.05 | |
| (b) Cost of sales | *1,474,864,475.65 | |
| (c) Net gain (or loss*) on sales | | *237,847,717.60 |
| (d) Provision for producers' equity in cotton pools | | *2,443.80 |
| (e) Recovery of loss on sales of Mexican canned meat | | 9,795,625.46 |
| (f) Adjusted gain (or loss*) on sales | | *228,054,535.94 |
| (g) Cost of commodities donated [1] | | *19,389,744.15 |
| (h) Net gain (or loss*) on commodity inventory operations | | *247,444,280.09 |
| 2. Charge-offs: | | |
| (a) Loans (net) | $*304,137.21 | |
| (b) Accounts, notes receivable and other | *87,087.15 | |
| (c) Total charge-offs | | *391,224.36 |
| 3. Other program costs and adjustments: | | |
| (a) Gains | $3,303,881.46 | |
| (b) Losses* | *2,052,264.81 | |
| (c) Net other program costs and adjustments | | 1,251,616.65 |
| Net realized gain (or loss*)—program | | *246,583,887.80 |
| III. Adjustment of valuation reserves—program: | | |
| 1. Reserve for losses on loans | $64,480,000.00 | |
| 2. Reserve for losses on commodity inventories | *373,148,350.00 | |
| 3. Reserve for losses on commodities under contract to purchase | *24,126,000.00 | |
| 4. Reserve for losses on accounts and notes receivable | *312,433.18 | |
| Net adjustment of valuation reserves—program | | *333,106,783.18 |
| IV. Net gain or loss transferred to surplus | | *627,721,359.42 |

[1] Donations under sec. 416, Agricultural Act of 1949, Public Law No. 439, and sec. 3, Public Law No. 471, 81st Cong.

NOTE.—All amounts reducing income or increasing expense or losses are designated by asterisks.

## Description of items in Statement of Income and Expense

### I. Income and Expense—General

1 (a). Interest on loans:

This classification includes interest accrued and collected on commodity loans. Interest on outstanding recourse loans is accrued. Interest on outstanding nonrecourse loans is not accrued or collected periodically but is treated as income only upon repayment of loans. Upon the redemption of pledged collateral, the borrower pays interest at 3 percent on the loan plus charges paid from the date of the loan or advance. In the interest income account, the Corporation reflects interest collections at the rate of 3 percent for the period it has held a loan and at 1½ percent for the period the loan was held by lending agencies. The 1½ percent previously paid to lending agencies, reflected as interest purchased when the Commodity Credit Corporation purchases loans, is credited upon collection and therefore is not taken up as income. Interest income at 3 percent is collected on cotton loans for which cotton certificates of interest have been issued. Interest is paid at 1½ percent on the cotton certificates of interest and is deducted from interest on loans. In addition to the interest collected directly by CCC, lending agencies remit to the Corporation half of the interest collected from borrowers when loans are repaid while held by such lending agencies.

1 (b). Other interest income:

Interest on miscellaneous notes and claims is included in this classification.

1 (c). Administrative markup not applied to general overhead expense:

Reimbursement of administrative expenses incurred in the operation of the supply-program activities is accomplished by means of a markup included in invoices rendered. A part of the markup estimated to be not required for administrative expense was transferred to the income of the Corporation from the deferred-credit account in the fiscal years 1948 and 1949; however, this estimate has been reconsidered and the adjustment made in the fiscal year 1950.

1 (d). Other income:

This classification includes various receipts which are not allocated to programs.

2 (a). Interest expense:

Interest due the United States Treasury on the capital stock of the Corporation is accrued monthly and is payable on June 30 each year. This item also includes the interest accrued on the interest-bearing notes held by the United States Treasury and on the borrowings from private lending agencies, mainly commercial banks, incurred in connection with certain commodity purchase programs.

2 (b). General overhead expense:

Salaries, travel expense, supplies, custodian and agency fees, and other indirect expenses are included in this classification. Expenses for work performed on behalf of foreign governments and other Government agencies on a reimbursable basis, and the reimbursement therefor, are reflected in the net total general overhead expense.

2 (c). Other expense:

This classification includes various expenses which are not allocated to programs.

### II. Realized Gains and Losses—Program

1 (a). Sales of commodities:

Sales are generally recorded by the Corporation when title passes to the purchaser; for example, as commodities are shipped or loaded for shipment. Recoveries from warehousemen and carriers on inventory losses are also in this classification.

1 (b). Cost of sales:

Cost of sales includes the acquisition cost of commodities disposed of and related charges for storage, handling, and transportation. Inventory adjustments are also included.

1 (d). Provision for producers' equity in cotton pools:

This deduction represents that part of the proceeds from sales of cotton pooled for the account of the producers which is set aside as the net amount due to participating producers after deducting the cost of conducting the pool.

1 (e). Recovery of loss on sale of Mexican canned meat:

The net losses on the sale of Mexican canned meat transferred to the Corporation for disposition are recovered by payments from the Bureau of Animal Industry under appropriated funds and are not chargeable to the Corporation.

1 (g). Cost of commodities donated:

This item represents the cost of commodities donated under section 416, Agricultural Act of 1949, Public Law No. 439, Eighty-first Congress, and section 3, Public Law No. 471, Eighty-first Congress.

2. Charge-offs:

This classification includes charge-offs of loans and accounts and notes receivable. Losses sustained in the liquidation of loan programs include instances of uninsured fire and flood losses.

3. Other program costs and adjustments:

This item includes certain program gains and losses not elsewhere classified, a portion of which represents adjustments to prior-year activity.

Net realized gain (or loss*)—program:

This total reflects all the various income and expense items which are incident to and identifiable to specific programs, as distinct from the more general interest income and interest and overhead expenses that are not allocated to programs.

### III. Adjustment of Valuation Reserves—Program

Under this heading are reflected the net changes in valuation reserves for the period of the report. Losses are not charged directly against valuation reserves but are reflected in the statement of income and expense in gain or loss on sales and charge-offs.

# COMMODITY CREDIT CORPORATION CHARTER ACT, AS AMENDED

## History

The Commodity Credit Corporation was organized October 17, 1933, pursuant to Executive Order No. 6340. This agency, originally incorporated under the laws of the State of Delaware, was managed and operated in close affiliation with the Reconstruction Finance Corporation up to July 1, 1939, as an agency of the United States. On that date, the Commodity Credit Corporation was transferred to and made a part of the United States Department of Agriculture.

Approval of the Commodity Credit Corporation Charter Act (Public Law No. 806, 80th Cong.) on June 29, 1948, established the Corporation—effective July 1, 1948—as an agency of the United States under a permanent Federal charter. Public Law No. 85, Eighty-first Congress, approved June 7, 1949, amended the charter act in several important respects.

## Permanent Authority

The Commodity Credit Corporation Charter Act, as amended, authorizes the Corporation to: (1) Support prices of agricultural commodities through loans, purchases, payments, and other operations; (2) make available materials and facilities required in the production and marketing of agricultural commodities; (3) procure agricultural commodities for sale to other Government agencies, foreign governments, and domestic, foreign, or international relief or rehabilitation agencies, and to meet domestic requirements; (4) remove and dispose of surplus agricultural commodities; (5) increase domestic consumption of agricultural commodities through development of new markets, marketing facilities, and uses; (6) export or cause to be exported, or aid in the development of foreign markets for, agricultural commodities; and (7) carry out such other operations as Congress may specifically authorize or provide for.

The Corporation is directed to utilize to the maximum extent practicable, the customary channels, facilities, and arrangements of trade and commerce in carrying on purchasing and selling operations (except sales to other Government agencies), and in conducting warehousing, transporting, processing, and handling operations.

The Corporation may contract for the use of plants and facilities for the handling, storage, processing, servicing, and transportation of agricultural commodities subject to its control. The Corporation has authority to acquire personal property and to rent or lease office space necessary for the conduct of its business. It is prohibited from acquiring real property or any interest therein except for the purposes of protecting its financial interests and for providing adequate storage to carry out its programs effectively and efficiently. No refrigerated cold-storage facilities may be constructed or purchased except with funds specifically provided by Congress for that purpose.

To encourage storage of grain on farms, the Corporation is directed to make loans available to grain producers for financing the construction or purchase of suitable storage.

The Corporation is authorized to accept strategic and critical materials produced abroad in exchange for agricultural commodities acquired by it. Strategic and critical materials so acquired shall, to the extent approved by the Munitions Board of the National Military Establishment, be transferred to the stockpile, and, when transferred, the Corporation shall be reimbursed in an amount equal to the fair market value of the material transferred. The Corporation also is authorized to acquire, hold, or dispose of strategic materials as it deems advisable in carrying out its functions and protecting its assets.

## Borrowing Power

Borrowings by the Corporation (other than trust deposits and advances received on sales) and obligations to purchase loans held by lending agencies must not exceed $6,750,000,000 at any one time. The Corporation is capitalized at $100,000,000, subscribed by the United States. Interest must be paid to the United States Treasury on the capital stock—and on the amount of the obligations of the Corporation purchased by the Secretary of the Treasury—at such rates as may be determined by the Secretary of the Treasury.

## Management

Management of the Corporation is vested in a board of directors, subject to the general supervision and direction of the Secretary of Agriculture, who is an ex officio director and is chairman of the board. The board consists of six members (in addition to the Secretary of Agriculture), who are appointed by the President of the United States by and with the advice of the Senate.

The Commodity Credit Corporation Charter Act, as amended, provides for an advisory board consisting of five members appointed by the President of the United States. Not more than three of the members shall belong to the same political party. The advisory board is required to meet at the call of the Secretary of Agriculture at least every 90 days. The function of this board, which is made up of members having broad agricultural and business experience, is to survey the general policies of the Corporation, including those connected with the purchase, storage, and sale of commodities, and the operation of lending and price-support programs.

The Secretary of Agriculture is directed to appoint such officers and employees as may be necessary for the conduct of the business of the Corporation, define their authority and duties, delegate to them such of the powers vested in the Corporation as he may determine, require that such of them as he may designate be bonded, and fix the penalties therefor.

O